

DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII

IN THE MATTER OF THE)	
)	
APPLICATION OF)	
)	
Central Pacific Bank and)	DECISION AND ORDER
City Bank)	REGARDING THE MERGER OF
)	CITY BANK WITH AND INTO
APPLICANTS,)	CENTRAL PACIFIC BANK
)	
For Approval to Merge City Bank)	
with and into Central Pacific Bank)	
_____)	

**DECISION AND ORDER REGARDING
THE MERGER OF
CITY BANK
WITH AND INTO
CENTRAL PACIFIC BANK**

DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII
335 Merchant Street, Room 221
Post Office Box 2054
Honolulu, Hawaii 96805

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**DECISION AND ORDER REGARDING
THE MERGER OF
CITY BANK
WITH AND INTO
CENTRAL PACIFIC BANK**

TO: MR. NEAL KANDA
PRESIDENT AND CHIEF OPERATING OFFICER

CENTRAL PACIFIC BANK
220 SOUTH KING STREET
HONOLULU, HAWAII 96813

AND

CITY BANK
201 MERCHANT STREET
HONOLULU, HAWAII 96813

Pursuant to the authority granted to the Commissioner of Financial Institutions (the "Commissioner") in Chapter 412, Code of Financial Institutions, Hawaii Revised Statutes ("HRS"), and all applicable administrative rules, the following findings and conclusions are hereby entered:

FINDINGS OF FACT

1. The participating institutions ("Participating Institutions") in this matter are:
 - a. CENTRAL PACIFIC BANK ("CPB"), a State-chartered bank organized and incorporated in the State of Hawaii, with its principal office located at 220 South King Street, Honolulu, Hawaii 96813, engaged in the banking business pursuant to Article 5, Chapter 412, HRS; and
 - b. CITY BANK ("CB"), a State-chartered bank organized and incorporated in the State of Hawaii, with its principal office located at 201 Merchant Street, Honolulu, Hawaii 96813, engaged in the banking business pursuant to Article 5, Chapter 412, HRS.
2. Central Pacific Bank and City Bank are wholly-owned subsidiaries of Central Pacific Financial Corp. ("CPF"), a Hawaii corporation, with its principal office in Honolulu, Hawaii. CPF is a bank holding company established under the Bank Holding Company Act of 1956, as amended.
3. CPB Real Estate, Inc. and Central Business Club of Honolulu, Inc. are both Hawaii corporations and wholly-owned subsidiaries of CPB.
4. ISL Capital Corporation and its subsidiary, Pacific Assurance Agency, Inc., are both California corporations, and wholly-owned subsidiaries of City Bank. Neither ISL Capital Corporation nor Pacific Assurance Agency, Inc. are currently engaged in any business activities.
5. CityInvestor Services Inc., CB Technology Inc., and Citibank Properties, Inc. are Hawaii corporations and wholly-owned subsidiaries of City Bank.
6. Pacific Access Mortgage LLC is a Hawaii limited liability company, formed in 2000 as a mortgage brokerage business. City Bank has a 50% equity interest in this LLC.
7. CPF submitted a letter application, on behalf of the Participating Institutions, requesting approval, pursuant to HRS Sections 412:3-609, 412:3-201, 412:3-202, 412:3-212, 412:3-507, and 412:3-508 of:
 - a. The merger of CB with and into CPB with CPB being the resulting institution ("Resulting Institution"); and

- b. The closure of one CPB branch, nine CB branches and the automatic teller machines ("ATM") associated with each branch. These branches are located at 345 Hahani Street, Kailua, Hawaii 96734; 201 Merchant Street, Honolulu, Hawaii 96813; 111 Bishop Street, Honolulu, Hawaii 96813; 94-210 Pupukahi Street, Waipahu, Hawaii 96797; 1001 Kamokila Avenue, Kapolei, Hawaii 96707; 333 Kilauea Avenue, Hilo, Hawaii 96720; 75-1027 Henry Street, Kailua-Kona, Hawaii 96740; 4100 Rice Street, Lihue, Hawaii 96766; 285 Kaahumanu Avenue, Kahului, Hawaii 96732; 1819 South Kihei Road, Kihei, Hawaii 96753.

8. CPF's letter application was dated October 29, 2004, and was supplemented by letters dated November 11, 2004, November 29, 2004, and December 2, 2004, incorporated herein by reference (referred to collectively as the "Application").

9. The Participating Institutions have executed an Agreement of Merger dated October 28, 2004, whereby CB will be merged with and into CPB. The boards of directors of the Participating Institutions have each adopted resolutions approving the proposed merger.

10. Pursuant to the merger plan, the following 13 CB branches and the ATMs at those branches will remain open and will be operated as CPB branches: 1018 Bethel Street, Honolulu, Hawaii 96813; 1338 Beretania Street, Honolulu, Hawaii 96814; 1600 Kapiolani Boulevard, Honolulu, Hawaii 96814; 2250 Kalakaua Avenue, Honolulu, Hawaii 96815; 909 Kapahulu Avenue, Honolulu, Hawaii 96816; 2002 South King Street, Honolulu, Hawaii 96826; 4211 Waialae Avenue, Honolulu, Hawaii 96816; 2119 North King Street, Honolulu, Hawaii 96819; 1535 Dillingham Boulevard, Honolulu, Hawaii 96817; 419 Kuulei Road, Kailua, Hawaii 96734; 45-1054 Kamehameha Highway, Kaneohe, Hawaii 96744; 98-1247 Kaahumanu Street, Aiea, Hawaii 96701; 935 California Avenue, Wahiawa, Hawaii 96786.

11. The proposed board of directors of the Resulting Institution will consist of 16 members, all of whom are presently board members of the Participating Institutions. Ronald K. Migita will be the Chairman of the Board for the Resulting Institution.

12. The proposed executive officers of the Resulting Institution will be: Clint Arnoldus, Chief Executive Officer; Neal K. Kanda, President and Chief Operating Officer; Douglas R. Weld, Executive Vice President & Chief Credit Officer; Dean K. Hirata, Executive Vice President & Chief Financial Officer. Messrs. Arnoldus and Kanda will also serve as Directors for the Resulting Institution.

13. The Participating Institutions have asserted that the proposed merger will create a stronger locally based bank, which will be able to compete more effectively in the banking industry, and will be better able to serve shareholders, customers, and the community. Participating Institutions have also asserted that the merger presents the

possibility of achieving significant cost savings, operating efficiencies, and revenue enhancements due to the consolidation of operations and programs.

14. The Participating Institutions have asserted that the proposed merger will have no adverse impact on competition in any relevant banking market because of the common ownership of both institutions by CPF.

15. As set forth in the pro forma regulatory capital calculation in the Application, it appears that both Participating Institutions are currently well capitalized as defined by Part 325 of the Federal Deposit Insurance Corporation ("FDIC") Rules and Regulations. The submitted post-merger consolidated pro forma financial statements for the Participating Institutions indicate that the Resulting Institution will continue to be well capitalized.

16. The Participating Institutions have a record of safe and sound performance, efficient management, capital strength, financial responsibility, and integrity.

17. CPF, sole shareholder of the Participating Institutions, has submitted the required certification of its approval of the merger.

18. As a consequence of the merger, ISL Capital Corporation and its subsidiary Pacific Assurance Agency Inc., CityInvestor Services Inc., CB Technology Inc., Citibank Properties Inc., and Pacific Access Mortgage LLC, will become subsidiaries of CPB, effective upon the date of the merger.

19. The Participating Institutions published notice of their intent to merge and notice to close one branch of CPB and nine branches of CB ("Notice") in the Honolulu Star-Bulletin on November 3, 2004. The Commissioner did not receive any comments during the 15-day comment period following the publication of the Notice.

CONCLUSIONS OF LAW

Upon consideration and review of the Application and its supporting and incorporated documents, it is concluded that:

1. The Commissioner has jurisdiction over this Application, pursuant to the Code of Financial Institutions, Chapter 412, HRS.

2. The Application submitted to the Commissioner by the Participating Institutions was in a form prescribed by or acceptable to the Commissioner and included, together with supporting and incorporated documents, the information required by the Commissioner to make the findings of fact and conclusions of law set forth herein.

3. Sufficient information has been provided to enable the Commissioner to find the necessary facts and reach the required conclusions needed before issuing a decision on this Application.

4. The Resulting Institution will meet all the requirements under HRS, Chapter 412 for a charter to the same extent that it would if it were applying for a new charter.

5. Upon completion of the merger, the Resulting Institution will be adequately capitalized according to Part 325 of the FDIC's Rules and Regulations.

6. The Agreement of Merger is fair to the creditors and the shareholders of the Participating Institutions.

7. The Participating Institutions have complied with, or will comply with, all requirements, conditions, and limitations imposed by federal law or regulation and state law or regulation with respect to the merger.

8. The proposed executive officers and directors of the Resulting Institution include some of the present officers and directors of the Participating Institutions. Through their service at the Participating Institutions, these proposed executive officers and directors appear to have established a record of sound performance, efficient management, financial responsibility and integrity. They also appear to have demonstrated that they are competent and sufficiently experienced and may therefore be expected to manage the Resulting Institution in a safe and efficient manner, consistent with the interests of the depositors, beneficiaries, creditors, or shareholders of the Resulting Institution and its subsidiaries, or in the public interest.

9. The proposed merger does not appear to jeopardize the safety or soundness of the Participating Institutions or the Resulting Institution, and is not otherwise contrary to the public interest.

10. The proposed merger does not appear to substantially lessen competition or tend to create a monopoly or restraint of trade in the relevant markets as the geographic area will continue to be served by a number of different financial institutions offering a wide range of products and services.

11. The proposed merger appears to promote the convenience, needs and advantage of the general public particularly in the communities in which the Participating Institutions and the Resulting Institution conduct or will conduct its business.

12. Any conclusion of law that is deemed to be a finding of fact shall be construed to be a finding of fact.

ORDER

NOW, THEREFORE, GOOD CAUSE APPEARING, THE FOLLOWING
DECISION AND ORDER IS HEREBY ENTERED:

1. In accordance with HRS Chapter 412, Article 3, the Application by
CENTRAL PACIFIC BANK and CITY BANK is hereby approved, which includes the
following:

- a. Merger of CITY BANK with and into CENTRAL PACIFIC BANK as
described in the Agreement of Merger dated October 28, 2004 and
this Application.
- b. Closure of one CENTRAL PACIFIC BANK and nine CITY BANK
branches and the automatic teller machines associated with each
branch, as described herein.

2. This Decision and Order is entered on the date set forth below.

3. This approval is made pursuant to the authority granted the Commissioner
in Chapter 412, Hawaii Revised Statutes, and applicable Hawaii Administrative Rules,
and is subject to the following conditions:

- a. Central Pacific Bank and City Bank are to obtain all necessary
federal and/or state regulatory approvals and comply with all
requirements, conditions, and limitations imposed by federal and
state laws with respect to this merger.
- b. Central Pacific Bank and City Bank are to proceed with the merger
pursuant to the terms and representations set forth in the
Application and Agreement of Merger.
- c. Central Pacific Bank is to provide the name, address, and
telephone number of an individual responsible for all inquiries
regarding this transaction to whom the public may contact should
they have any questions regarding this merger.
- d. Within five days following the effective date of the merger, Central
Pacific Bank is to provide written notice to the Commissioner
attesting to the completion of the merger, in accordance with the
Application and the Agreement of Merger, and describing any
material modification of the merger, if any.
- e. Within five days following the effective date of the merger, Central
Pacific Bank is to provide the Commissioner the date of the closure
of the Central Pacific Bank and City Bank branches and ATMs.

- f. Within 30 days following the effective date of the merger, Central Pacific Bank is to provide the Commissioner with all closing entries relating to this transaction.
- g. The merger is to be completed within six months from the date of issuance of this Decision and Order. Upon written request of the Participating Institutions, an extension of time may be granted for good cause.

This Decision and Order shall be voidable in the sole discretion of the Commissioner if material conditions set forth in this Decision and Order are not fulfilled, if material representations made in support of the Application are not complied with or should be determined to be untrue, or if material facts have been omitted from the Application.

DATED AND ENTERED: HONOLULU, HAWAII, January 5, 2005.

COMMISSIONER OF FINANCIAL INSTITUTIONS
DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII

/s/ D. B. Griffin III
D. B. GRIFFIN III

[IN THE MATTER OF THE APPLICATION OF CENTRAL PACIFIC BANK AND CITY BANK
FOR APPROVAL TO MERGE CITY BANK WITH AND INTO CENTRAL PACIFIC BANK.]